

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9041

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EO 11652: NA

TAGS: EFIN, EG

SUBJECT: CENTRAL BANK REVISES INTEREST RATE STRUCTURE

1. CENTRAL BANK OF EGYPT HAS ISSUED ORDER SPECIFYING REVISED INTEREST RATES ON TIME DEPOSITS AND LOANS EFFECTIVE JANUARY 1, 1976. MINIMUM LOAN RATE IS RAISED FROM 6.5 PERCENT TO 7 PERCENT PER ANNUM, WITH A MAXIMUM OF 8 PERCENT. TIME DEPOSIT RATE, DEPENDING ON PERIOD INVOLVED, NOW VARIES FROM MAXIMA OF 2 PERCENT (SAME AS PREVIOUS RATE) TO 5 PERCENT FOR INDIVIDUAL DEPOSITORS AND 4 PERCENT FOR LEGAL ENTITIES. PREVIOUS MAXIMUM FOR ALL TIME DEPOSITS WAS 4 PERCENT. RATE ON REGULAR SAVINGS DEPOSITS REMAINS AT 4 PERCENT AND DEMAND DEPOSITS CONTINUE TO DRAW NO RPT NO INTEREST. CENTRAL BANK HAS SET ITS DISCOUNT RATE AT 6 PERCENT PER ANNUM. AIRGRAM FOLLOWS WITH MORE DETAIL.

2. REVISION OF RATE STRUCTURE HAS BEEN PUBLICIZED AS MEANS TO FURTHER OPEN DOOR POLICY BY ENCOURAGING SAVINGS AND INVESTMENT. BANKING SYSTEM IN ADDITION HAS BEEN DIRECTED TO OPERATE LONGER HOURS THREE DAYS PER WEEK TO FACILITATE SERVICE. DESPITE SOME DEGREE OF CONFUSION REPORTED WITHIN BANKING CIRCLES AS TO APPLICABILITY OF NEW SCHEDULE, CENTRAL BANK HAS CONFIRMED TO EMBASSY THAT OFFICIAL DIRECTIVE IN THIS REGARD HAS BEEN TRANSMITTED TO ALL BANKS IN COUNTRY AND IS IN EFFECT. CENTRAL BANK OFFICIAL COMMENTS TO US THAT NEW RATE STRUCTURE BRINGS EGYPT'S BANKING SYSTEM MORE UNCLASSIFIED

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INTO LINE WITH WORLD NORMS AND IS EXPECTED TO HAVE SIGNIFICANT

EFFECT IN MOBILIZING DOMESTIC SAVINGS.

MAESTRONE

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Message Attributes

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